USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 3/17/2014
GAIN Report Number: ID1405

Indonesia

Oilseeds and Products Annual

2014

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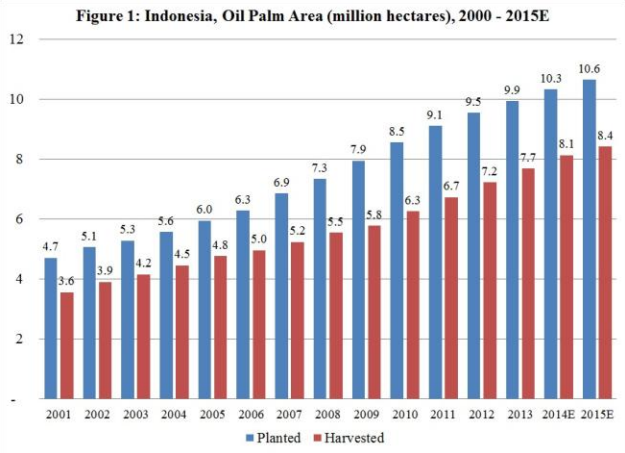
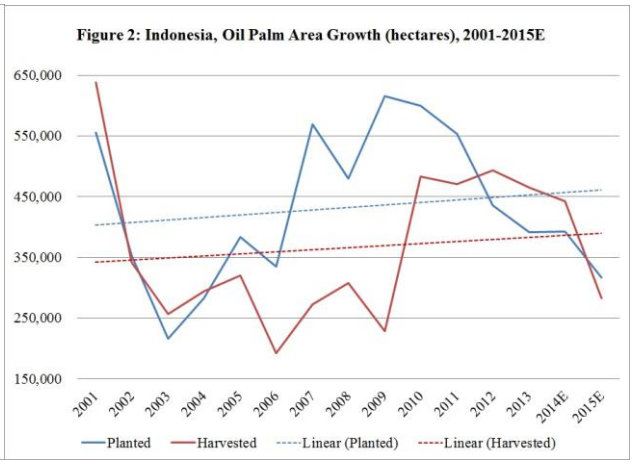
Report Highlights:
Despite the deceleration of Indonesia's oil palm area expansion, Indonesia is expected to produce an additional 2.2 million metric tons (MMT) of palm oil, (combined crude palm oil (CPO) and palm kernel oil (PKO)), in marketing year (MY) 2014/2015. While the export demand may soften, overall demand is expected to be shored up by Indonesia's biodiesel program. Indonesian soybean production is expected remain stable, and consumption growth will be met by imports. Animal feed production will continue growing at 6 percent per year, driving up soybean meal (SBM) imports to 3.65 MMT in MY 2014/2015. Coconut production suffers from a lack of new planting. The current percentage of old crops rose to 30 percent of total area in 2013, and is expected increase further. Improved yields have offset declining harvested area for Indonesian peanut production. Peanut consumption is declining, led by downtrend in Indonesian food use. Feed use, while increasing, is not sufficient to offset declining human consumption.

Commodities:
Oil, Palm

Production:
Indonesian oil palm area expansion is still registering positive growth. However, the growth rate of planted area started to slow in 2012, and growth rate of harvested area is expected to start slowing in 2015. The slowdown in palm oil planting is largely due to land use conflicts, the first and second phases of Indonesia's forest moratorium, and a strong push to comply with both international and national sustainability requirements. An 18 percent drop in oil palm seed sales in 2013 and an expected 6 percent sales drop in 2014 suggest that Indonesian oil palm expansion will register a six-year low in 2015.



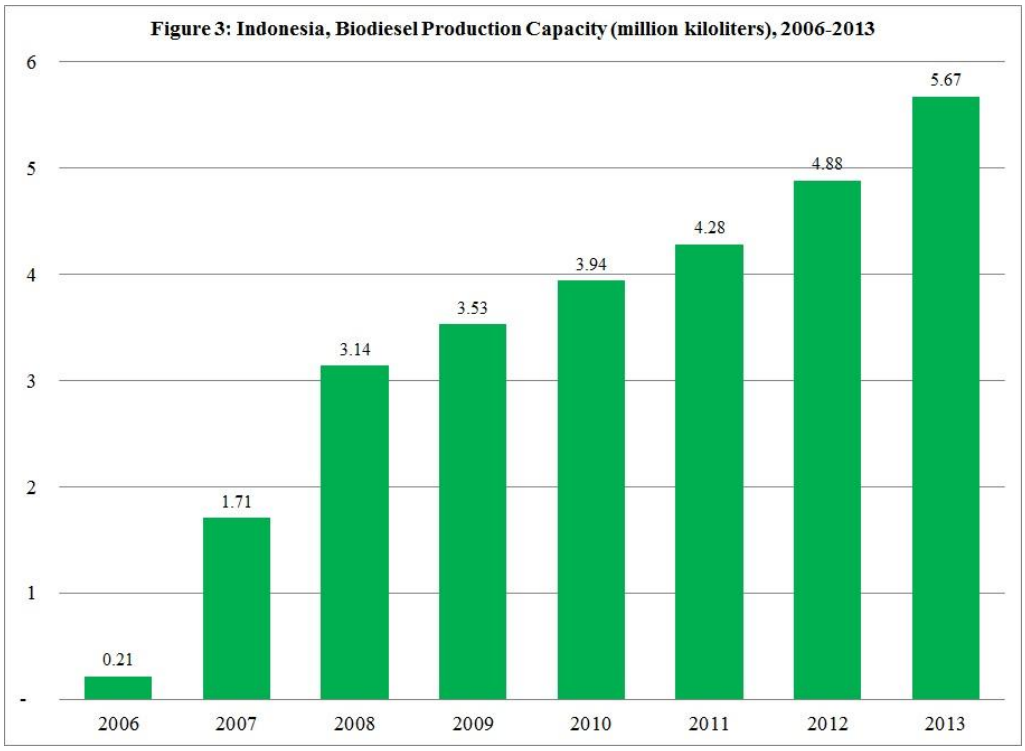


Source: Indonesian Statistical Agency and Post's calculation

Despite decelerated area growth, Indonesian crude palm oil (CPO) production is expected to grow by 2 MMT (to 33 MMT) in MY 2014/2015 due to additional 300,000 hectares of plantation moving into fruit bearing age. Total harvested area of Indonesia palm oil is expected to reach 8.4 million hectares in MY 2014/2015.

Consumption:
The food, feed, and industrial sectors (including biodiesel and oleo-chemical producers) are the primary consumers of CPO and its products. They mainly produce cooking oil, shortening, margarine, palm methyl ester (PME), fatty acid, and fatty alcohol.

An ambitious biodiesel program and the growing use of palm oil for food and feed are expected to increase domestic palm oil consumption to nearly 9.3 MMT in MY 2013/2014. Domestic palm oil consumption is expected to increase to 10.97 MMT in MY 2014/2015 due to similar factors. The Government of Indonesia (GOI) views the national biodiesel program as a means to reduce Indonesia's oil and gas trade deficit by lowering diesel imports and maintaining domestic CPO prices at levels profitable for both planters and processors.



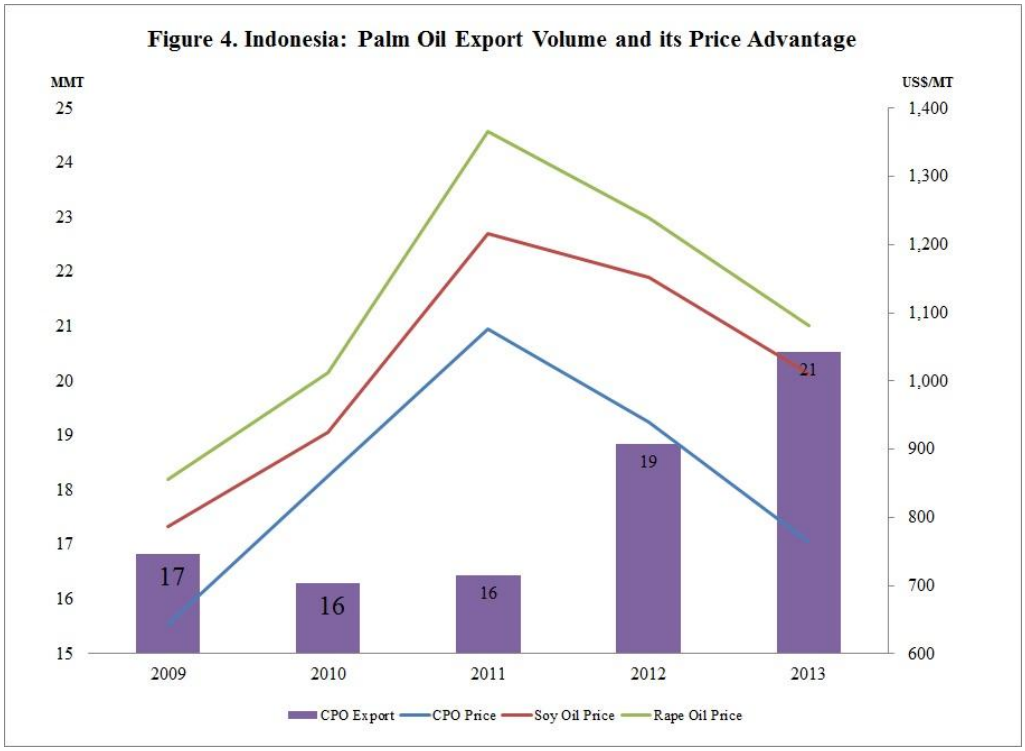
Source: Indonesian Biodiesel Producers Association

The Indonesian Palm Oil Association (IPOA) forecast that the biodiesel sector will procure 3.3 MMT of palm oil in 2014 in its annual press release (January 2014). Post generally concurs with IPOA's estimate because:

- PERTAMINA, Indonesia's state-owned oil company, set a procurement target of 5.2 MMT of PME in the 2014-2015 periods to support the national biodiesel program. PERTAMINA has already signed contracts with major Indonesian biodiesel producers for 2.4 MMT in 2014 of PME, committing at least 2.36 MMT of CPO for PME production. In the event that PERTAMINA contracts for the remaining 2.8 MMT of PME in 2015, Indonesian biodiesel producers are expected to procure an additional 2.75 MMT of CPO.
- An additional 1 MMT of CPO will be used by the Indonesian biodiesel sector to satisfy approximately 1 billion liters of export demand in 2014. Anti-dumping measures imposed by the European Commission on Indonesian PME will lower Indonesian biodiesel exports. Post, however, believes the EU measure will not stop 100 percent of Indonesian exports. (See trade section). Indonesia's biodiesel export, therefore, will stay positive at lower level.

Trade:

Indonesian palm oil exports have been challenged by various trade barriers based on environmental, health, and nutritional concerns. While these challenges have heightened in the last two years, a strong price advantage over other vegetable oils has helped Indonesian palm oil exports 18.75 percent in 2013 and 10.53 percent in 2013.



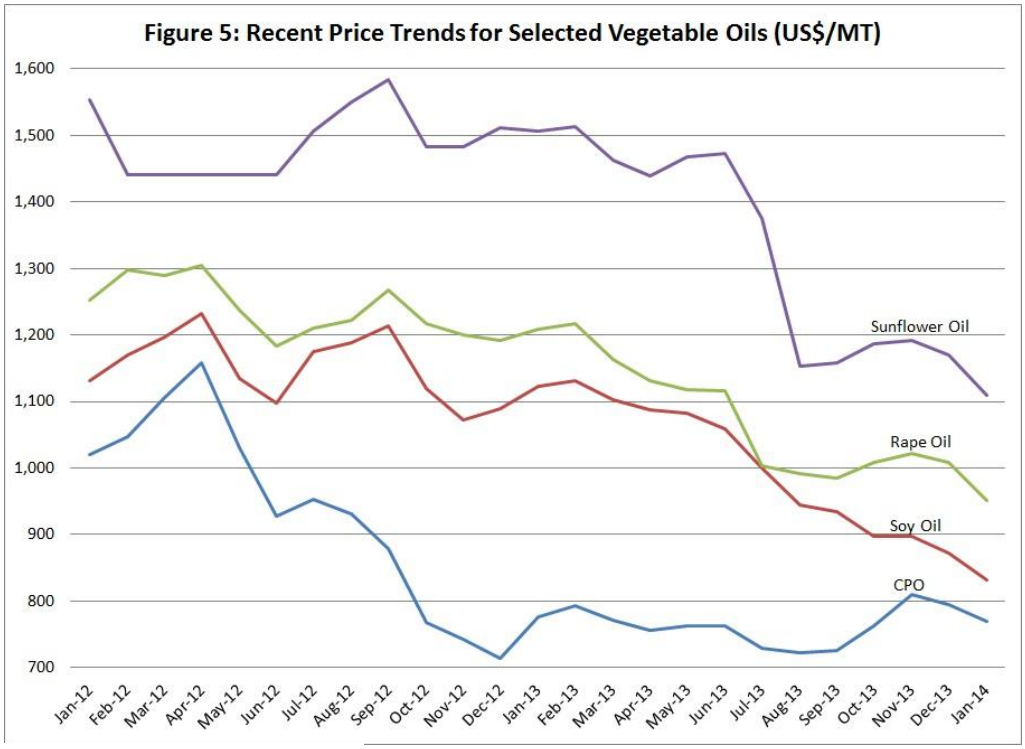
Source: GTIS and www.indexmundi.com

Post believes that despite European sanctions, competition from other oils, growing Indian import duties, and slower global economic growth, palm oil exports are expected to continue growing. Indonesia is expected to export 21.3 MMT of palm oil in MY 2013/2014. MY2014/15 export growth will slow, with exports expected at 22 MMT. Post evaluation of export prospects includes the following factors:

- European Union restrictions on palm oil use were initially targeted at the use of palm oil as a biodiesel feedstock, but have since included palm oil use in the food sector. Not all EU members share negative sentiments on Indonesian palm oil. According to the European Palm Oil Alliance (EPOA), France, Norway, Ukraine, Germany, Sweden, Belgium, Luxembourg, and Switzerland are generally opposed to palm oil imports for food and biodiesel. The remaining 20 EU member countries, however, are less opposed to palm oil imports. Trade data shows that 70 percent of Indonesian palm oil exports to the EU are destined for these countries. Thus, only 30 percent of EU palm oil imports are likely subject to EU restrictions.
- Despite projections of slower economic growth in China and India (Indonesia's biggest palm oil importers), export growth is expected to continue. Chinese and Indian palm oil import growth will continue due to inelastic demand fueled by population growth and increasing incomes. Even with GDP growth slowing in China and India, Chinese GDP growth is expected to range between 8 and 11percent, and Indian GDP will grow at above 5 percent over the next two years (as per a United Nations study).
- India increased import duties on refined palm oils (RPO) from 7.5 percent to 10 percent but left the tax on CPO import unchanged at 2.5 percent. Higher import duties on refined palm oil aim to provide stronger protection for Indian refiners against cheaper supplies from Indonesia and Malaysia. Trade data shows, however, that Indonesian RPO exports to India actually grew in

spite of the heightened duty and that the duty failed to reduce Indonesian RPO exports to India. Competitive RPO prices were further bolstered by Indonesia's higher export tax on CPO, keeping Indonesian RPO attractive in Indian market.

Vegetable oil prices have trended downward over the last two years (see figure 5). While CPO has maintained its price competitiveness over rape and sunflower oil, its price advantage is waning against soy oil. Despite soy oil's competitiveness verses CPO, prices have not yet fallen below CPO and Post does not believe that this is enough to curb CPO export growth.



Source: www.indexmundi.com

Stocks:

Lower-than-expected export performance and a below-target domestic biodiesel program will lead to stock growth over the next two years. Indonesian palm oil stocks are expected to increase by 23.4 percent to 2.17 MMT in MY 2013/2014. MY 2014/2015 stocks are expected to increase slightly to 2.2 MMT.

Production, Supply and Demand Data Statistics:

Oil, Palm Indonesia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	9,935	0	10,325		10,640
Area Harvested	7,685	7,685	8,115	8,115		8,410
Trees	0	1,490,250	0	1,548,750		1,596,000
Beginning Stocks	1,445	1,445	1,831	1,758		2,170
Production	28,500	28,500	31,000	31,000		33,000
MY Imports	1	1	1	1		1
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	29,946	29,946	32,832	32,759		35,171
MY Exports	20,300	20,373	21,300	21,300		22,000
MY Exp. to EU	2,285	3,494	2,800	3,500		3,500
Industrial Dom. Cons.	2,735	2,735	2,975	3,763		4,690
Food Use Dom. Cons.	4,845	4,845	5,270	5,270		5,960
Feed Waste Dom. Cons.	235	235	256	256		320
Total Dom. Cons.	7,815	7,815	8,501	9,289		10,970
Ending Stocks	1,831	1,758	3,031	2,170		2,201
Total Distribution	29,946	29,946	32,832	32,759		35,171
1000 HA, 1000 TREES, 1000 MT						

Commodities:

Oilseed, Palm Kernel

Production:

Fresh fruit bunch (FFB) yields determine correlate directly with palm kernel (PK) production levels. MY 2013/14 and 2014/15 CPO production levels are estimated at 31 MMT and 33 MMT respectively, and assuming a 23 percent of oil extraction rate (OER), Indonesia is estimated to produce 135.6 MMT of FFB in MY 2013/2014 and 144.4 MMT in MY 2014/2015. PK accounts for about six percent of total FFB weight, indicating that PK production will reach 8.14 MMT in MY 2013/14 and 8.7 MMT in MY 2014/15.

Consumption:

Post expects local millers will process 8.14 MMT and 8.66 MMT of PK in MY 2013/14 and MY 2014/15 respectively. PK is not directly used as animal or livestock feed in Indonesia. However, palm kernel meal/cake (PKM), a byproduct from extracting PKO from the kernel, is exported and used in limited quantities by the local feedlot cattle industry.

Stocks:

Ending stocks of PK will reach 62,000 MT in MY 2013/14 and 67,000 MT in MY 2014/15. Stocks are based on the assumption that palm kernel mills will maintain two days operating supply. Note that palm kernel mills procure their PK supply from palm oil mills which are typically located adjacent or nearby. Given close relationships with suppliers, one day's operating stock is usually sufficient. Post, however, pegs PK stock at 2 days inventory to accommodate possible delays and logistical disturbances.

Production, Supply and Demand Data Statistics:

Oilseed, Palm Kernel Indonesia	2012/2013	2013/2014	2014/2015
	Market Year Begin: Oct 2012	Market Year Begin: Oct 2013	Market Year Begin: Oct 2014

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	9,935	0	10,325		10,640
Area Harvested	7,685	7,685	8,115	8,115		8,410
Trees	0	1,490,250	0	1,548,750		1,596,000
Beginning Stocks	60	60	90	57		62
Production	7,550	7,480	8,175	8,140		8,660
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	7,610	7,540	8,265	8,197		8,722
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Crush	7,430	7,483	8,175	8,135		8,655
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	90	0	0	0		0
Total Dom. Cons.	7,520	7,483	8,175	8,135		8,655
Ending Stocks	90	57	90	62		67
Total Distribution	7,610	7,540	8,265	8,197		8,722
1000 HA, 1000 TREES, 1000 MT						

Commodities:

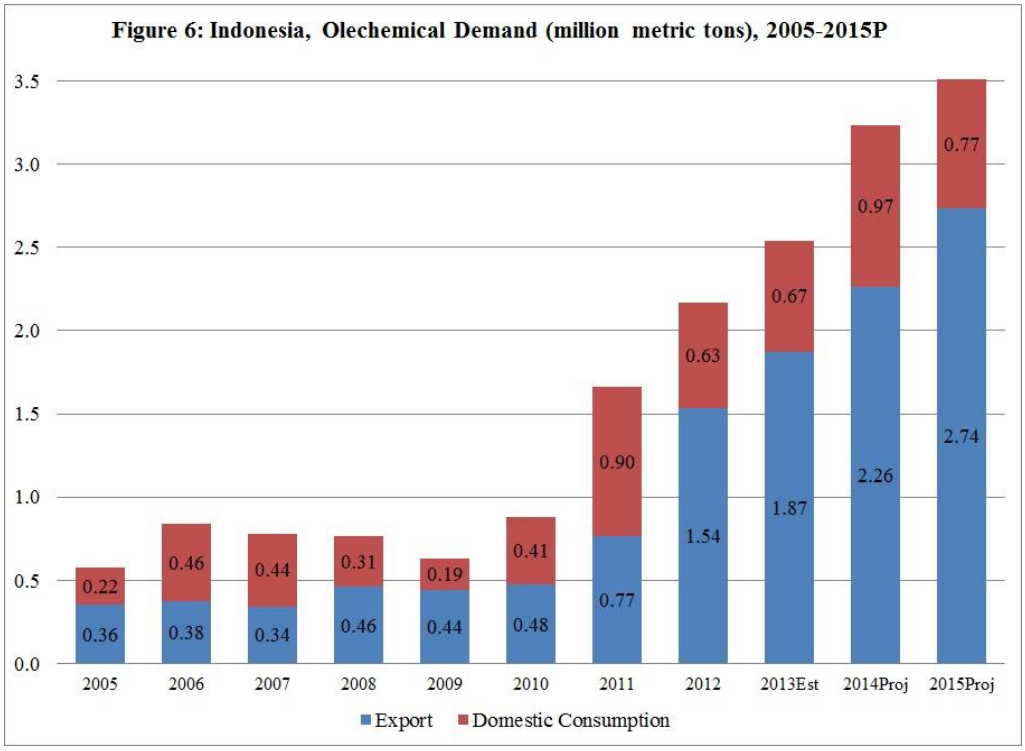
Oil, Palm Kernel

Production:

As noted, Indonesia will crush 8.135 MMT and 8.655 MMT of palm kernel in MY 2013/14 and MY 2014/15, respectively. Based on an average oil content of 45 percent, Post expects that Indonesian PKO production will reach 3.5 MMT in MY 2013/14 and 3.7 MMT in MY 2014/15.

Consumption:

In contrast to palm oil, which is preferred by food manufactures, PKO is preferred by industrial users. Oleochemical product manufacturers are the main users of PKO, particularly in the form of refined, bleached and deodorized (RBD) PK olein and RBD PK stearin to produce fatty acid, fatty alcohol, and glycerol. The Indonesian oleochemical industry is the primary driver of increased PKO usage in Indonesia.

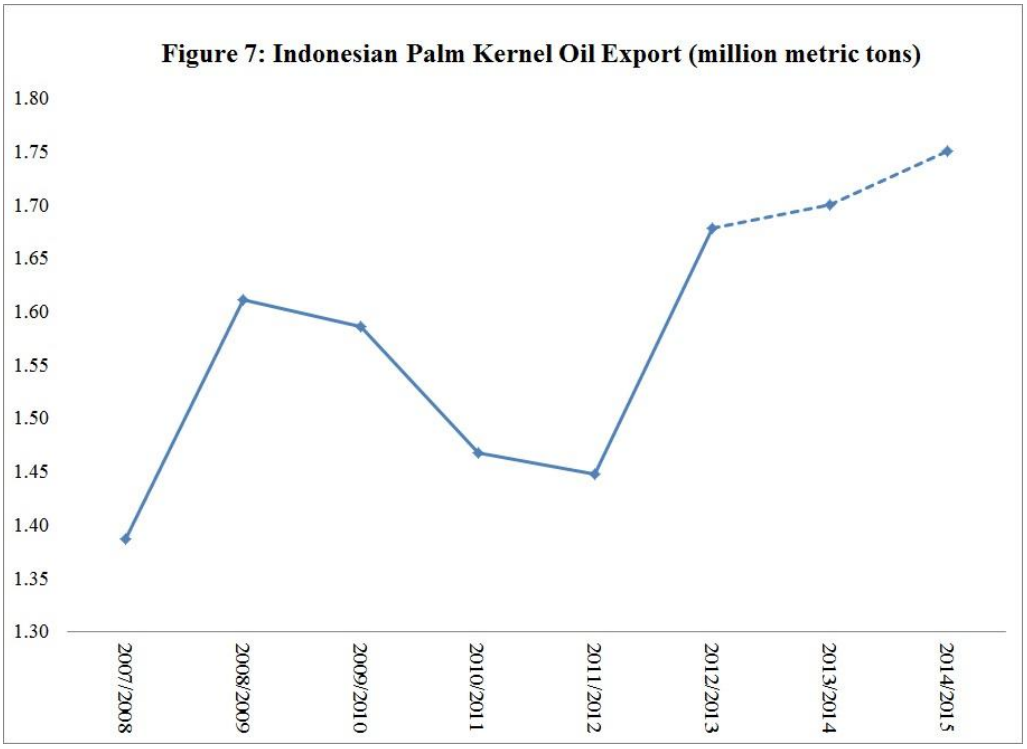


Source: Post's calculation based on data of export and installed capacity

Indonesia's oleochemical production has grown significantly since 2010. The Indonesian oleochemical Producer Association projects that the capacity of domestic palm-oil based oleochemical industry will increase from 3.63 MMT in 2013 to 4.615 MMT in 2014 and 5.015 MMT in 2015. Oleochemical production is expected to go uptrend accordingly to 3.23 MMT in 2014 and 3.5 MMT in 2015, of which 70-78 percent goes to the export market.

Trade:

Indonesian PKO exports recovered from four years of decline in MY 2012/2013. Post expects that PKO exports will continue to grow, although increasing domestic consumption is countering export supplies. PKO exports are thus expected to increase slightly from 1.68 MMT in MY 2012/13 to 1.7 MMT in MY 2013/14 and 1.75 MMT in MY 2014/15.



Source: GTIS

Stocks:

PKO ending stocks are expected to decline over the next two marketing years due to strong domestic consumption growth. Stocks will decrease from 400,000 MT in MY 2012/13 to 321,000 MT in MY 2013/14 and to 272,000 MT in MY 2014/2015.

Production, Supply and Demand Data Statistics:

Oil, Palm Kernel Indonesia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	7,430	7,480	8,175	8,135		8,655
Extr. Rate, 999.9999	0	0.43	0	0.43		0.43
Beginning Stocks	366	366	385	400		321
Production	3,231	3,250	3,588	3,500		3,700
MY Imports	1	1	1	1		1
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	3,598	3,617	3,974	3,901		4,022
MY Exports	1,525	1,678	1,650	1,700		1,750
MY Exp. to EU	550	365	550	400		500
Industrial Dom. Cons.	1,300	1,300	1,450	1,600		1,700
Food Use Dom. Cons.	226	239	280	280		300
Feed Waste Dom. Cons.	162	0	209	0		0
Total Dom. Cons.	1,688	1,539	1,939	1,880		2,000
Ending Stocks	385	400	385	321		272
Total Distribution	3,598	3,617	3,974	3,901		4,022
1000 MT, PERCENT						

Commodities:
Meal, Palm Kernel

Production:
Like PKO, palm kernel meal (PKM) production is linked directly to FFB and palm oil production. As mentioned in the palm kernel oilseed section, Indonesia will crush 8.14 MMT of palm kernel in MY 2013/14 and 8.66 MMT MY 2014/15. The palm kernel pressing will yield 43 percent oil, 53 percent meal, and 4 percent waste /loss. Indonesia, therefore, is expected to produce 4.28 MMT of PKM in MY 2013/14 and 4.55 MMT in MY 2014/15.

Consumption:
Post expects domestic PKM consumption to grow from 284,000 MT in MY 2012/13 to 420,000 MT in MY 2013/14 and 465,000 MT in MY 2014/15. Domestic consumption of PKM in Indonesia is small and limited to ruminant feed use. Although livestock feed demand is growing, there are some constraints in the effort to increase Indonesian PKM use for ruminant feed. Limiting factors include:

- PKM production requires considerable processing before it is suitable to feed to livestock. High processing costs and a small domestic market for PKM keep processing levels low. Currently, exporting unprocessed PKM is economically more efficient than domestic processing.
- According to the Indonesian Statistical Agency (BPS) 2011 cattle and water buffalo census, 98 percent of the total beef cattle population is managed by 5.7 million smallholder farmers. Feedlot operations account for the remaining two percent. The beef cattle managed by smallholders are grass fed. The use of PKM is limited to the small share of feedlots.
- The majority of palm oil mills (95 percent) are located on the islands of Sumatra and Kalimantan. Conversely, 65 percent of Indonesia's beef cattle are in areas with no palm kernel mills (Java, Bali, and Nusa Tenggara). Delivering feed grade, processed PKM from producing area to consuming areas is expensive and inefficient due to poor inter-island logistics. Thus, it is more efficient for PKM millers to focus on the export market as they only bear delivery cost from the mills to the nearest port of debarkation.

Trade:
Limited domestic PKM consumption results in large supplies of Indonesian palm kernel meal available for export. Trade data shows that PKM exports accounted for nearly 90 percent of total PKM production in MY 2012/13. Post expects that exports of PKM will increase to 3.85 MMT in MY 2013/14 and 4.05 MMT in MY 2014/15.

Stocks:
Ending stocks of PKM are expected to increase to 229,000 MT in MY 2013/14 and 264,000 MT in MY 2014/15.

Production, Supply and Demand Data Statistics:

Meal, Palm Kernel Indonesia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Crush	7,430	7,480	8,175	8,135		8,655
Extr. Rate, 999.9999	1	0.53	1	0.53		0.53
Beginning Stocks	70	70	190	219		229
Production	3,904	3,930	4,279	4,280		4,550
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	3,974	4,000	4,469	4,499		4,779
MY Exports	3,500	3,497	3,600	3,850		4,050
MY Exp. to EU	1,500	1,645	1,580	1,890		2,000
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	284	284	669	420		465
Total Dom. Cons.	284	284	669	420		465
Ending Stocks	190	219	200	229		264
Total Distribution	3,974	4,000	4,469	4,499		4,779
1000 MT, PERCENT						

Commodities:

Oilseed, Soybean

Production:

Data from Indonesia's National Statistics Agency shows that Indonesian soybean production has declined over the last five years. Post calculations, however, indicate that annual Indonesian soybean production has been stagnant at around 600,000 MT since 2010. Indonesian soybean production is expected to remain at 620,000 MT in MY 2013/2014 and MY 2014/2015.

Agronomic challenges and low profitability disincentivize Indonesian soybean farming, especially when compared to the profitability of rice and corn. Most soybean production in Indonesia can be linked to government programs providing seed and other inputs. For example, 30 percent of soybean production is grown by farmers specialized in soybean production (located in Banyuwangi and Jember in East Java, Grobogan in Central Java, and West Nusa Tenggara). The remainder is grown in regions where soybeans are likely a secondary crop, mostly grown due to government programs. Thus, it seems unlikely that Indonesia would produce significant quantities of soybean government interventions.

Consumption:

Ninety eight percent of total soybean demand in Indonesia is for human consumption. (Tempeh and tofu products are primary protein sources for Indonesians). As a result, population growth is the main factor driving soybean consumption growth. Indonesian soybean consumption is expected to reach 2.5 MMT in MY 2013/2014. It will further increase to 2.55 MMT in MY 2014/2015.

Small scale tempeh and tofu producers are Indonesia's biggest soybean consumers, procuring 85 percent of domestic soybeans. Tempeh and tofu producers are price sensitive, and soybean price spikes (including 2008, mid 2012, and mid 2013) have motivated the industry to explore soybean alternatives. Broad beans and Australian Lupins are possible substitutes and are being marketed in Indonesia. Problems in texture, taste, shelf-life, availability, and price, however, challenge the expanded use of alternative ingredients in Indonesian tempeh-tofu industry. As a result, there are no viable soybean replacements on the market and demand for soybeans remains inelastic.

Trade:
Stagnant domestic soybean production combined with growing consumption will increase soybean imports to 1.93 MMT in MY 2013/2014 and 1.95 MMT in MY 2014/2015. U.S. soybeans are expected to maintain market share at 92 percent of total Indonesian soybean imports.

Stocks:
Soybean stocks are expected to increase from 90,000 MT in MY 2013/2014 to 110,000 MT in MY 2014/2015.

Production, Supply and Demand Data Statistics:

Oilseed, Soybean Indonesia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	550	550	550	550		550
Area Harvested	450	450	450	450		450
Beginning Stocks	51	51	20	40		90
Production	600	600	620	620		620
MY Imports	1,800	1,795	2,000	1,930		1,950
MY Imp. from U.S.	1,720	1,669	1,900	1,775		1,800
MY Imp. from EU	0	0	0	0		0
Total Supply	2,451	2,446	2,640	2,590		2,660
MY Exports	2	2	1	1		1
MY Exp. to EU	0	0	0	0		0
Crush	0	0	0	0		0
Food Use Dom. Cons.	2,400	2,375	2,525	2,450		2,500
Feed Waste Dom. Cons.	29	29	29	50		50
Total Dom. Cons.	2,429	2,404	2,554	2,500		2,550
Ending Stocks	20	40	85	90		110
Total Distribution	2,451	2,446	2,640	2,591		2,661
1000 HA, 1000 MT						

Commodities:
Meal, Soybean

Production:
There is no soybean crushing industry in Indonesia. Indonesian soybean meal (SBM) production, therefore, is non-existent.

Consumption:
Animal feed production drives Indonesian SBM consumption. Indonesia is expected to produce 15.7 MMT of animal feed in MY 2013/2014, and 16.7 MMT in MY 2014/2015. Poultry feed (layer, broiler, and poultry breeders) accounts for 91 percent of total animal feed consumption, with the remaining 9 percent for shrimp and fish culture. According to Indonesian Feed Miller's Association, SBM content for poultry feed ranges from 20 to 25 percent.

Percentage of SBM in Feed Formula		
Poultry	Self-mix	Shrimp & Fish
20-25%	15-20%	15-35%

Source: Indonesian Feed Millers Association

Animal feed production data and percentage of SBM in feed formula suggest that the Indonesian animal feed industry will consume SBM at 3.54 MMT in MY 2013/2014 and 3.63 MMT in MY 2014/2015.

Trade:
Indonesia imported 3.36 MMT of SBM in MY 2012/2013. Based on domestic SBM consumption estimates and a six week inventory turnover, Indonesia is expected to import 3.55 MMT in MY 2013/2014. Indonesian SBM imports are expected to further increase to 3.65 MMT in MY 2014/2015.

Stocks:
Indonesian animal feed producers generally maintain up to two weeks of SBM inventory in their bulk storage. SBM traders can have larger inventories - equal to two and half months of domestic consumption. Post generally assumes a six-week inventory turnover of SBM. Ending stocks of SBM, therefore, will stand at 431,000 MT in MY 2013/2014, and are expected to slightly increase to 451,000 MT in MY 2014/2015.

Production, Supply and Demand Data Statistics:

Meal, Soybean Indonesia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	0	0	0	0		0
Extr. Rate, 999.9999	0	0.	0	0.		0.
Beginning Stocks	390	390	327	421		431
Production	0	0	0	0		0
MY Imports	3,367	3,356	3,600	3,550		3,650
MY Imp. from U.S.	98	98	100	100		100
MY Imp. from EU	0	0	0	0		0
Total Supply	3,757	3,746	3,927	3,971		4,081
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	3,430	3,325	3,650	3,540		3,630
Total Dom. Cons.	3,430	3,325	3,650	3,540		3,630
Ending Stocks	327	421	277	431		451
Total Distribution	3,757	3,746	3,927	3,971		4,081
1000 MT, PERCENT						

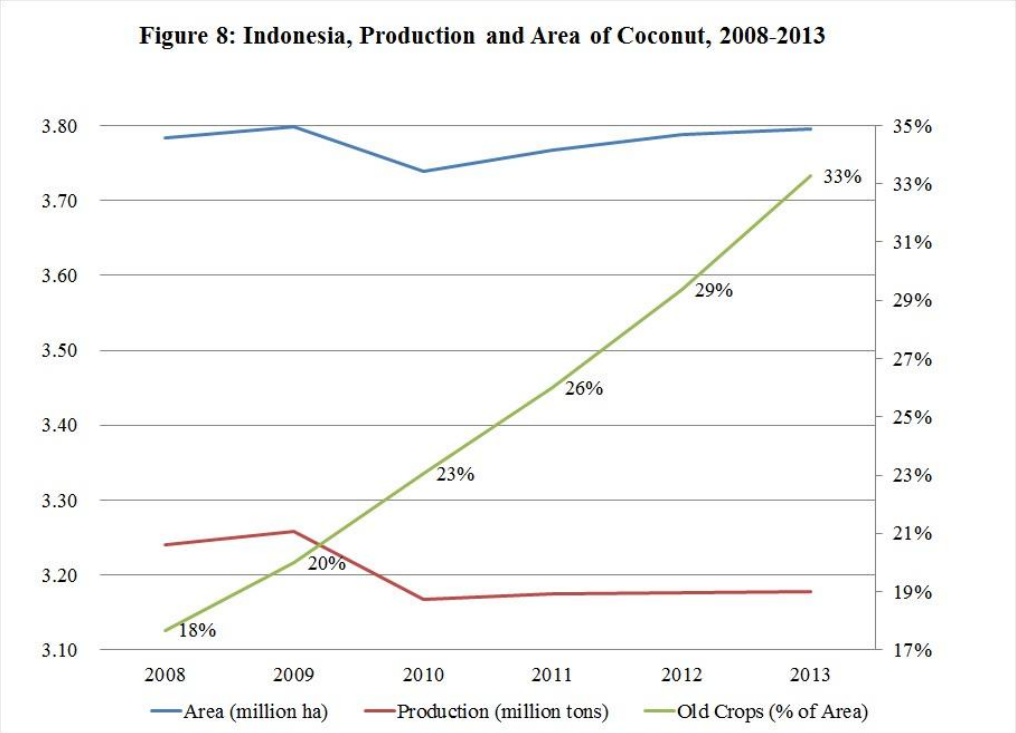
Commodities:
Oilseed, Copra

Production:
Coconut production and non-copra use of coconut determines the availability of copra in Indonesia. Indonesian coconut production has been stagnant at 3.18 MMT copra equivalents in the last three years. A mild increase in planting area at 13,075 hectares within 2008-2013 timeframe is not sufficient to

increase coconut production significantly. Indonesia coconut production, therefore, is expected to remain stagnant at 3.18 MMT copra equivalents in MY 2013/14 and MY 2014/15. Two major factors contribute to the productivity plateau:

- Smallholders account for 98 percent of total coconut plantation area, and
- They treat coconut production as a backyard crop without practicing proper fertilization and maintenance.

There is no large-scale replanting program to replace old crops (*above 60 years old*). Post calculations, based on data from the Ministry of Agriculture and local coconut reports, shows that old coconut crops increased from 18 percent of total area in 2008 to 33 percent of total area in 2013 (see figure 8). The government-led rejuvenation program, however, can only reach approximately 100,000 hectares within the same timeframe due to budget constraints.



Source: Indonesian Ministry of Agriculture and post calculation

The Indonesian copra sector uses 45 to 47 percent of total national coconut production. Palm sugar and fresh-in-shell coconut are the major non-copra uses of coconuts. Fresh-in-shell coconuts are usually further processed into coconut milk and shredded coconut. Economically, it is more profitable for the farmers to sell fresh-in-shell coconut and palm sugar than copra. Strong coconut demand for non-copra users, however, is mostly found on Java. Coconut growers on other Indonesian Islands, therefore, are processing their coconuts into copra. The coconut production estimates imply that Indonesia will produce 1.58 MMT of copra in MY 2013/14 and MY 2014/15.

Consumption:

Approximately 97 percent of total annual copra supply is processed into crude coconut oil (CNO). Indonesian copra mills are expected to process 1.56 MMT of copra in both MY 2013/14 and MY 2014/15.

Trade:
Stagnant production, combined with relatively strong domestic demand, has resulted in the downtrend of Indonesian copra exports in the last four MY. Copra exports are expected to fall to 28,000 MT in the current MY, and it will further decrease to 26,000 MT in the next MY.

Stocks:
Similar to export performance, ending stock levels are expected to fall to 14,000 MT and 8,000 MT in MY 2013/14 and MY 2014/15, respectively. Lower stocks will not automatically lead to higher prices as copra price are highly correlated with global supply and demand.

Production, Supply and Demand Data Statistics:

Oilseed, Copra Indonesia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2013		Market Year Begin: Oct 2014		Market Year Begin: Oct 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	3,789	3,796	3,795	3,800		3,800
Trees	0	0	0	0		0
Beginning Stocks	52	52	18	22		14
Production	1,560	1,560	1,580	1,580		1,580
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	1,612	1,612	1,598	1,602		1,594
MY Exports	30	30	20	28		26
MY Exp. to EU	0	0	0	0		0
Crush	1,560	1,560	1,562	1,560		1,560
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	4	0	4	0		0
Total Dom. Cons.	1,564	1,560	1,566	1,560		1,560
Ending Stocks	18	22	12	14		8
Total Distribution	1,612	1,612	1,598	1,602		1,594
1000 HA, 1000 TREES, 1000 MT						

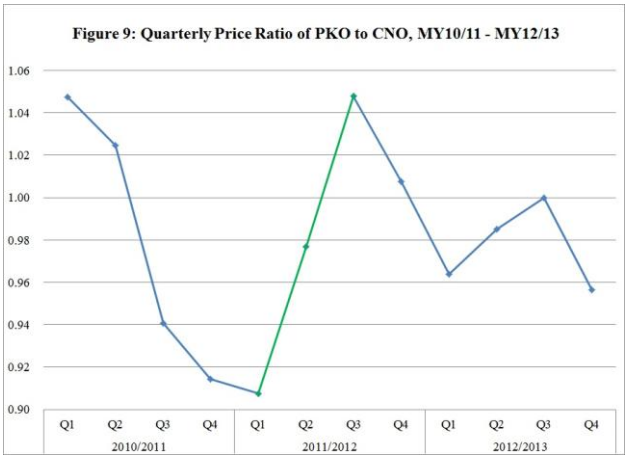
Commodities:
Oil, Coconut

Production:
Copra milling determines production levels for CNO in Indonesia. Post's Indonesian copra forecast is set at 1.562 MMT in both MY 2013/14 and MY 2014/2015. These figures suggest that Indonesia will produce 975,000 MMT of CNO in the current and the next MY.

Consumption:
CNO is primarily consumed by industrial users due to its high price relative to other food oils. Food manufacturers prefer to use CPO for cooking oil, margarine, and shortening due to cheaper prices. Industrial users are still willing to use CNO as they can process it into higher-value added oleo products that will be sold at higher prices.

Post predicts domestic use of CNO to increase from 374,000 MT in MY 2012/2013 to 400,000 MT and 410,000 MT in MY 2013/2014 and MY 2014/2015 respectively. Food use of CNO is expected to be constant at 150,000 MT in the next two MY. Higher domestic consumption, therefore, is driven by increased industrial use in the next two MY.

Trade:
CNO is lauric oil that competes with PKO in the world market. Indonesia's CNO exports declined from 740,000 MT in 2007 to 570,000 MT in 2011. Ample supplies of PKO at cheaper prices are used in export markets to produce soaps, fatty acid, and other oleo products. Indonesian CNO, however, increased by 45 percent in MY 2011/2012 due to its price competitiveness with PKO. As stated in Oilseed Annual Report 2013, Post expected CNO export performance returned to typical levels in MY 2012/13 as the PKO prices fell (see figure 9). Trade data confirmed this, indicating that Indonesian CNO exports dropped to 591,167 MT in MY 2012/2013 (see figure 10).



Source: www.indexmundi.com

Source: GTIS

Post expects PKO to maintain a price advantage over CNO for the next two MY. CNO exports, therefore, are expected to stay constant at 600,000 MT both in MY 2013/14 and MY2014/15.

Stocks:
Post expects ending stocks to decrease from 55,000 MT in MY 2013/14 to 20,000 MT in MY 2014/15 due to stagnant CNO production and domestic demand growth.

Production, Supply and Demand Data Statistics:

Oil, Coconut Indonesia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2013		Market Year Begin: Oct 2014		Market Year Begin: Oct 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,560	1,560	1,562	1,560		1,560
Extr. Rate, 999.9999	1	0.625	1	0.625		0.625
Beginning Stocks	70	70	80	80		55
Production	975	975	974	975		975
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	1,045	1,045	1,054	1,055		1,030
MY Exports	591	591	700	600		600
MY Exp. to EU	100	160	100	100		100
Industrial Dom. Cons.	244	234	200	250		260
Food Use Dom. Cons.	130	140	112	150		150
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	374	374	312	400		410
Ending Stocks	80	80	42	55		20
Total Distribution	1,045	1,045	1,054	1,055		1,030
1000 MT, PERCENT						

Commodities:

Meal, Copra

Production:

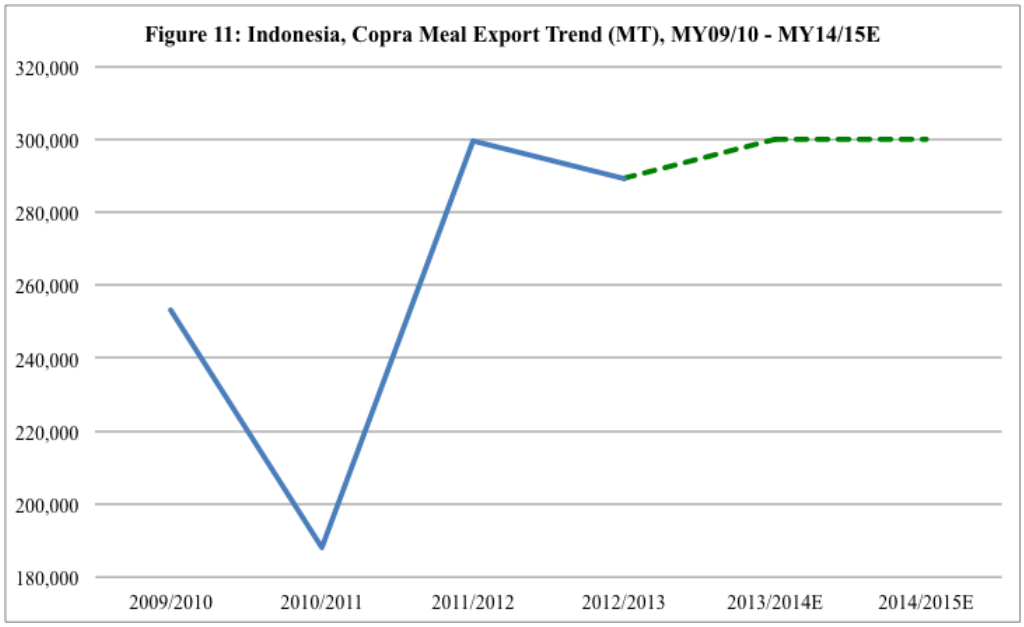
Similar to CNO, copra production sets Indonesian copra meal (CM) production. Indonesia is expected to process 1.56 MMT of copra in MY 2013/14 and MY 2014/15. The figures suggest that Indonesia will produce 509,000 MT of CM in MY 2013/14 and MY 2014/15.

Consumption:

Indonesian CM is mainly used as a feed ingredient. The challenges to expand feed use of CM are similar with that of expanding the feed use of PKM. Feed uses of CM are expected to be stagnant at around 200,000 MT in the current and next marketing year.

Trade:

Post expects that stagnant CM production, combined with relatively constant domestic consumption, will lead to stagnant CM exports. Export will stay at 300,000 MT in MY 2013/2014 and MY 2014/2015.



Source: GTIS

Stocks:

Post predicts a constant ending stock at 30,000 MT in MY 2013/2014 and MY 2014/2015.

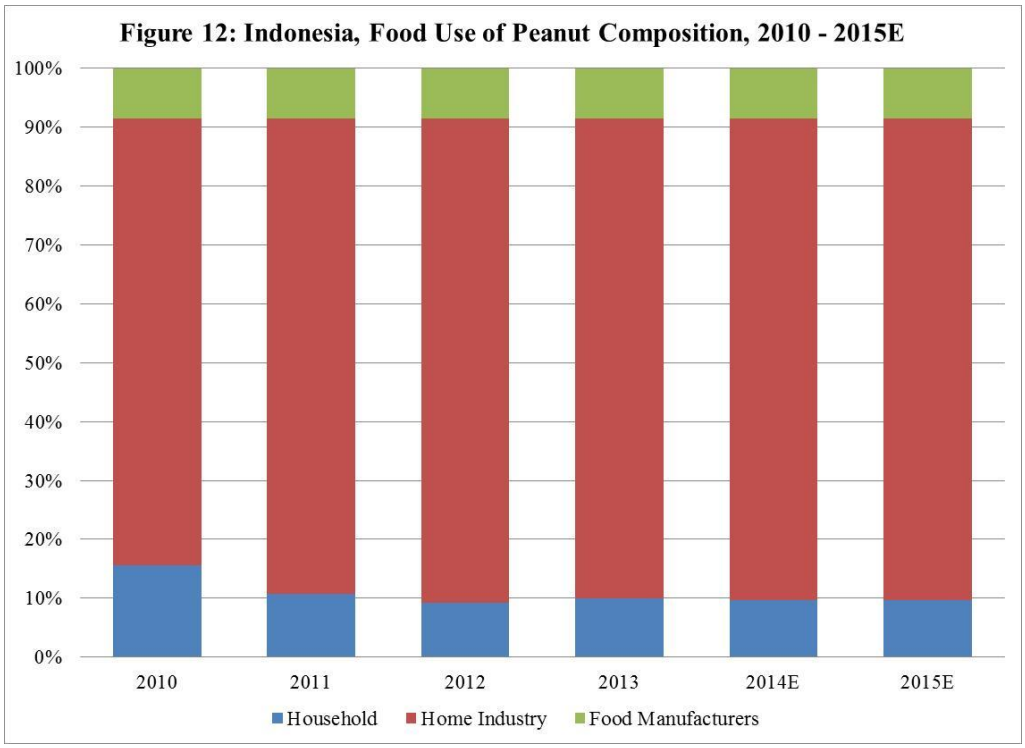
Production, Supply and Demand Data Statistics:

Meal, Copra Indonesia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2013		Market Year Begin: Oct 2014		Market Year Begin: Oct 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,560	1,560	1,562	1,560		1,560
Extr. Rate, 999.9999	0	0.3263	0	0.3263		0.3263
Beginning Stocks	3	3	3	23		30
Production	509	509	509	509		509
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	512	512	512	532		539
MY Exports	289	289	300	300		300
MY Exp. to EU	0	2	0	2		2
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	220	200	209	202		209
Total Dom. Cons.	220	200	209	202		209
Ending Stocks	3	23	3	30		30
Total Distribution	512	512	512	532		539
1000 MT, PERCENT						

Commodities:
Oilseed, Peanut

Production:
Harvested area of peanuts has declined by 3.9 percent annually since 2007. By contrast, yields have improved by 4.8 percent per year within the same timeframe. Higher production due to better yield can slightly compensate declining harvested area. Consequently, Indonesian peanut production will increase to 1.16 MMT in MY 2013/201 and 1.165 MMT in MY 2014/2015.

Consumption:
National Statistical Agency data shows that Indonesian peanut consumption for food has declined by 3.4 percent annually since 2009. Combined with 1.49 percent annual population growth, peanut food use is expected to decline to 1.29 MMT in MY 2013/2014 and 1.25 MMT in MY 2014/2015. Peanut consumers are broken down into three primary sectors: household, home industry, and large scale manufacturers. Home industry is the biggest user accounting for 81 percent of total peanut consumption for food. It produces various types of traditional peanut-based food products.



Source: Post estimation based on national socio economic survey

Peanut oil consumption in Indonesia is nearly non-existent due to its very limited availability compared to palm and coconut oil. Post, therefore, expects the volume of peanuts for crushing will decline from 65,000 MT in MY 2012/2013 to 55,000 MT in MY 2013/2014 and to 30,000 MT in MY 2014/2015.

Feed use of peanuts is expected to increase to 80,000 MT and 125,000 MT in MY 2013/2014 and MY 2014/2015, respectively. Growing prices for feed ingredients has triggered the livestock sector to look

for alternative local feed ingredients, including peanuts. Higher feed use, however, will not compensate lower use in the food and crush sector. Consequently, total domestic peanut consumption is expected to drop to 1.41 MMT in MY 2013/2014 and 1.39 MMT in MY 2014/2015.

Trade:

A mild increase in production and the downtrend of domestic consumption will lead peanut imports to fall to 276,000 MT in MY 2013/2014 and 271,000 MT in MY 2014/15.

Stocks:

Ending stocks will increase during the next two marketing years, reflecting mild improvements in production and decreased domestic demand. Stocks will increase by 10,000 MT to 65,000 MT in MY 2013/2014 and 107,000 MT in MY 2014/2015.

Production, Supply and Demand Data Statistics:

Oilseed, Peanut Indonesia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	680	680	665	655		630
Beginning Stocks	46	46	38	18		35
Production	1,145	1,145	1,125	1,160		1,165
MY Imports	300	291	310	276		271
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	1,491	1,482	1,473	1,454		1,471
MY Exports	8	9	8	9		9
MY Exp. to EU	0	0	0	0		0
Crush	65	65	65	55		30
Food Use Dom. Cons.	1,330	1,335	1,335	1,290		1,250
Feed Waste Dom. Cons.	50	55	45	65		107
Total Dom. Cons.	1,445	1,455	1,445	1,410		1,387
Ending Stocks	38	18	20	35		75
Total Distribution	1,491	1,482	1,473	1,454		1,471
1000 HA, 1000 MT						